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THE RESEARCH REVIEW

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On Monday, Governor Bredesen delivered his annual *"State of the State"* address without outlining a state budget. Final action on the spending proposal has been delayed, pending the outcome of the 2009 federal economic stimulus package.

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agriculture

Jeremy Maxwell

Agriculture Committee

The Agriculture Committee met Tuesday, February 10th to hear from the Department of Agriculture and the Department of Military.

Agriculture Commissioner Ken Givens introduced his staff to the committee and talked briefly about the department's upcoming plans.

General Gus Hargett, Department of Military, spoke of the Tennessee National Guard unit sending sixty-four citizen-soldiers to Afghanistan later this month for a year-long tour-of-duty. Fifteen members of the 1-16th Agribusiness Development Team, which is a specialized unit with our state national guard, will use their expertise in agronomy; fruit, vegetable and livestock production; civil engineering; water management; beekeeping; and other aspects of farming to revitalize agriculture in one of Afghanistan's high mountain provinces.

children & family affairs

Amelia Mitchell

The **Children & Family Affairs Committee** met for organizational purposes.

The **Domestic Relations Subcommittee** and the **Family Justice Subcommittee** did not meet this week.

Commerce Committee

The **Commerce Committee** met on Tuesday for organizational purposes. The full committee will meet next week to hear from Commissioner Greg Gonzales from the Department of Financial Institutions.

Utilities and Banking Subcommittee

The **Utilities and Banking Subcommittee** will meet next week.

Industrial Impact Subcommittee

The **Industrial Impact Subcommittee** will meet next week.

Small Business Subcommittee

The **Small Business Subcommittee** will meet next week.

conservation & environment

The Conservation and Environment Committee met Tuesday, February 10th for organizational purposes.

There will be a special joint committee meeting Wednesday February 18th in Room 16 at 3:00 to discuss the TVA spill in Kingston, TN.

Commercial Fishing Study Committee

The Commercial Fishing Study Committee met Monday, February 9th to hear presentations from various groups related to the commercial taking of fish, mussels and other aquatic life. Last year the 105th House of Representatives passed HR 255, which requires the special House committee to study commercial fishing and commercial musseling in Tennessee. There have been complaints from commercial fishers, musselers and others that they are being unfairly targeted by the Tennessee Wildlife Resources Agency with high license fees, penalties and difficult regulations. TWRA countered that these measures are necessary to regulate these industries and also, to preserve and conserve aquatic life. The committee is required to report its findings and recommendations to the 106th General Assembly no later than May 1, 2009. The next meeting has yet to be determined.

consumer & employee affairs

Lucy Wilson

The **Consumer & Employee Affairs Committee** and its subcommittees, **Employee Affairs** and **Consumer Affairs**, did not meet this week.

education

vacant

The House **Education Committee** will hold its organizational meeting next week.

Finance Commissioner Dave Goetz is scheduled to speak.

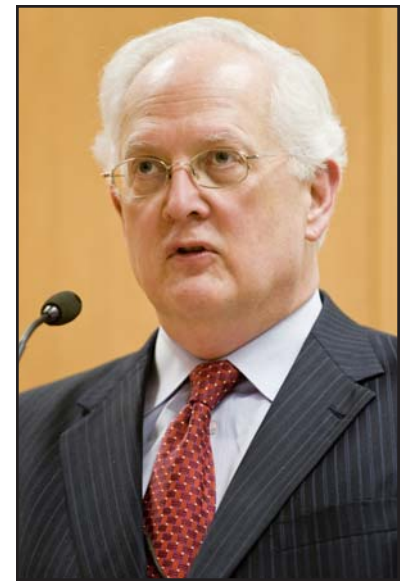
finance, ways & means

Julie Travis & Patrick Boggs



The House Finance, Ways, and Means Committee did not have any bills on its agenda yet, but during its first regular meeting since the convening of the 106th General Assembly, Chairman Fitzhugh welcomed the new members to the committee, introduced our committee officers and staff, and proceeded with a presentation by Finance & Administration Commissioner Dave Goetz. Commissioner Goetz reviewed the January 2009 revenues, the closing plan for fiscal year 2008-09, and reviewed the different versions of the Congressional stimulus packages and how the plans would affect Tennessee's state government.

Like the rest of the nation, Tennessee's economic picture is bleak. Fiscal year to date, we are a little over \$522 million below budgeted estimates. For the last eleven months, year-over-year growth has been negative. January 2009 revenues were \$114 million less than were conservatively budgeted nine months ago. In the most recent Dept. of F&A's press release, entitled "January Revenues," Commissioner Goetz stated, "January [2009] is the sixth consecutive month this fiscal year in which sales taxes and corporate income taxes have recorded negative growth over a year ago...January is also historic in that it represents the eleventh negative growth month in sales tax collections out of the last thirteen months, starting with January



Comm. Goetz

2008.” The general fund under collected by almost \$103 million.

Sales tax collections, indicative of the dismal retail sales during the Christmas holidays and the weakening in the consumers’ confidence in the economy, were down by just over \$68 million for the month of January alone. For the first half of this fiscal year, sales tax revenues were down by almost \$281 million; that is a negative year-to-date growth rate of (5.72%) for sales tax alone. Commissioner Goetz reminded the committee that 62% of the state’s revenue comes from the sales tax alone, and there have been losses in sales taxes in every category. The next largest category of tax revenues that the State depends upon are Franchise and Excise taxes. F&E taxes, which are normally volatile anyway, were more so than ever. All F&E taxes combined were \$26.6 million below the budgeted estimate of \$150.3 million for January. For the first six months of this fiscal year, tax revenues from businesses and corporations doing business in the state, were under collected by \$162.3 million. Gas and fuel collections were also down, as well as tobacco tax collections.

If the economy continues to fall on the same trajectory, with no federal economic stimulus, the state could be looking at a hole of just over \$1 billion to have to fill in order to close out the current fiscal year. The Rainy Day Fund and TennCare Reserve monies will provide some cushion, but with or without the federal stimulus package, Tennessee will have to look into more drastic measures to close out the fiscal year before tackling next year’s budget. We are constitutionally mandated to balance the state’s budget every year. The commissioner expounded on this and showed the possible scenario that would be entailed if Tennessee



Comm. Kisber

does not receive any help to stimulate and stabilize the state’s economy. Since our committee’s meeting at 8 AM Tuesday, the U.S. Senate passed an amended stimulus package and the bill is in conference where numbers will most certainly change.

Commissioner Matt Kisber from the Dept. of Economic and Community Development was

also present to speak about the early supplemental appropriations and bond authorization bills needed for economic development in the state and the financials involved with the recent success in securing the Volkswagen and the Hemlock Semiconductor megasite projects. In review of the economic downturn and looking to alternatives from what other states have done, Tennessee adjusted its policy, rather than paying cash from its operating budget for the economic incentive used to allure the Hemlock plant to the Clarksville area, to instead bond out the job training costs for state’s citizens to be employed for such green-collar jobs. The sale of state bonds would thereby free up the cash previously directed for such payments to instead be used for helping to close out the current fiscal year’s budget.

The state of Tennessee committed about 100 million dollars in infrastructure development for the Hemlock site. The Clarksville plant expected to employ about 500 people. The first phase investment for the Hemlock Semiconductor Project ranges from \$1.4 to \$2.5 billion. The Commissioner stated that the company has much potential to grow as their facility in Michigan has outgrown their footprint there. Therefore, we have a great opportunity to continue to provide and recruit high skilled, high wage, and sustainable jobs to the citizens of our state with the locating of Hemlock to Tennessee. \$6.2 million will be invested through the Tennessee Board of Regents to build adequate lab facilities and provide for classroom expansion at Austin Peay State University to teach citizens who are potential employees of Hemlock the chemical skills required to perform those jobs.

Volkswagen is a billion dollar investment. Starting out, the VW plant will employ 2,000 individuals at its Chattanooga plant with the prediction by leading economists that some 9,000 other jobs in investments, supplies, and second tier industries will follow soon. Bonds issued by the state should produce some \$1.3 billion in future generated revenues. It cost around \$80 million to prepare the Enterprise South site alone, and took around \$110 million combined from both state and local governments to provide the land and infrastructure needed to build and get the site ready, including building railroad, utility, and public service infrastructure. They are also providing a training center onsite to move quickly and efficiently to train employees and then to quickly troubleshoot challenges as they occur.

In order to quickly address the bonding and cash needs of the state in regards to these two large economic development projects, Commissioner Goetz concluded that three bills needed to be deliberated and passed soon. They include a bond bill (HB 421 / SB 315), an

appropriation bill (HB 420 / SB 317) and a bill dealing with the language needed for negotiated sales (HB 418 / SB 316).

The Committee concluded its business following two hours of hearings and will reconvene subject to the call of the chair.

Budget Subcommittee

The Budget Subcommittee did not meet this week, but will have its first meeting next week.



government operations

Amber Rice

The House **Government Operations Committee** held an introductory meeting this week. The Committee will meet next week with a scheduled presentation.

health & human resources

Judy Narramore

The House **Health & Human Resources Committee** did not meet the week of February 9, 2009.

judiciary

vacant

The **House Judiciary Committee** did not meet this week.

state & local government

Lawrence Hall, Jr.

The House **State & Local Government Committee** will meet next week. The guest speaker will be Dr. Reuben Kyle who will address the federal stimulus package.

transportation

Jeremy L. Elrod

The **House Transportation Committee** did not meet this week. The Committee will meet next week with a scheduled calendar.

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{ about photos }

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